

**SENATE, No. 3598**

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**STATE OF NEW JERSEY**  
**217th LEGISLATURE**

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INTRODUCED DECEMBER 7, 2017

**Sponsored by:**

**Senator JOSEPH PENNACCHIO**

**District 26 (Essex, Morris and Passaic)**

**Co-Sponsored by:**

**Senators T.Kean and Oroho**

**SYNOPSIS**

Permits taxpayers to deduct the total amount of State property taxes paid on principal residence from gross income tax obligation.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 1/9/2018)**

1 AN ACT permitting taxpayers to deduct the total amount of State  
2 property taxes due and paid on a principal residence in a calendar  
3 year from the taxpayer's gross income tax obligation and  
4 amending P.L.1996, c.60.

5  
6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8  
9 1. Section 3 of P.L.1996, c.60 (C.54A:3A-17) is amended to  
10 read as follows:

11 3. a. A resident taxpayer under the "New Jersey Gross Income  
12 Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from  
13 gross income for property taxes **[not in excess of \$10,000]**, subject  
14 to the limitations of subsection f. of this section, due and paid for  
15 the calendar year in which the taxes are due and payable on the  
16 taxpayer's homestead.

17 b. A deduction for property taxes shall be allowed pursuant to  
18 this section in relation to the amount of the property taxes actually  
19 paid by or allocable to a resident taxpayer who has more than one  
20 homestead, but the aggregate amount of the property taxes claimed  
21 shall not exceed the total of the proportionate amounts of property  
22 taxes assessed and levied against or allocable to each homestead for  
23 the portion of the taxable year for which the taxpayer occupied it as  
24 the taxpayer's principal residence.

25 c. If title to a homestead is held by more than one individual as  
26 joint tenants or tenants in common, each individual shall be allowed  
27 a deduction pursuant to this section only in relation to the  
28 individual's proportionate share of the property taxes assessed and  
29 levied against the homestead. The proportionate share shall be  
30 equal to that of all other individuals who hold the title, but if the  
31 conveyance under which the title is held provides for unequal  
32 interests therein, a taxpayer's share of the property taxes shall be in  
33 proportion to the taxpayer's interest in the title.

34 d. If title to a homestead is held by a husband and wife who  
35 own the homestead as tenants by the entirety, or if that husband and  
36 wife are both residential shareholders of a cooperative or mutual  
37 housing corporation and occupy the same homestead therein, and  
38 who elect to file separate income tax returns pursuant to the "New  
39 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., that husband  
40 and wife shall each be entitled to one-half of the deduction for  
41 property taxes for which they may be jointly eligible pursuant to  
42 this section.

43 e. If the homestead is a dwelling house consisting of more than  
44 one unit, that taxpayer shall be allowed a deduction for property  
45 taxes only in relation to the proportionate share of the property

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is  
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 taxes assessed and levied against the residential unit occupied by  
2 the taxpayer, as determined by the local tax assessor.

3 f. Notwithstanding the provisions of subsection a. of this  
4 section to the contrary: (1) a resident taxpayer shall be allowed a  
5 deduction for a taxpayer's taxable year beginning during 1996 based  
6 on 50% of the property taxes not in excess of \$5,000 paid on the  
7 taxpayer's homestead; and (2) a resident taxpayer shall be allowed a  
8 deduction for a taxpayer's taxable year beginning during 1997 based  
9 on 75% of the property taxes not in excess of \$7,500 paid on the  
10 taxpayer's homestead.

11 g. Notwithstanding any other provision of this section, the  
12 deduction allowed under this section to a resident taxpayer eligible  
13 to receive a homestead property tax reimbursement pursuant to  
14 P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident  
15 taxpayer's base year property tax liability as determined pursuant to  
16 P.L.1997, c.348 (C.54:4-8.67 et al.).

17 h. Notwithstanding any other provision of this section, for the  
18 taxable year beginning January 1, 2009, a taxpayer who has gross  
19 income for the taxable year of more than \$250,000 and is not:

20 (1) 65 years of age or older at the close of the taxable year; or

21 (2) allowed to claim a personal deduction as a blind or disabled  
22 taxpayer pursuant to subsection (b) of N.J.S.54A:3-1,  
23 shall not be allowed a deduction pursuant to this section;

24 provided however, the deduction for a taxpayer who has gross  
25 income for the taxable year of more than \$150,000 but not  
26 exceeding \$250,000 and is not:

27 (1) 65 years of age or older at the close of the taxable year; or

28 (2) allowed to claim a personal deduction as a blind or disabled  
29 taxpayer pursuant to subsection (b) of N.J.S.54A:3-1,  
30 shall not exceed \$5,000.

31 (cf: P.L.2009, c.69, s.2)

32

33 2. Section 4 of P.L.1996, c.60 (C.54A:3A-18) is amended to  
34 read as follows:

35 4. a. A resident taxpayer whose homestead is a unit of  
36 residential rental property shall be allowed a deduction from gross  
37 income for that portion of the rent constituting property taxes [not  
38 in excess of \$10,000], subject to the limitations of subsection d. of  
39 this section, due and paid for the calendar year in which the rent  
40 constituting taxes is due and payable, for occupancy of that  
41 homestead.

42 b. A husband and wife who elect to file separate income tax  
43 returns pursuant to the "New Jersey Gross Income Tax Act,"  
44 N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the  
45 property tax deduction allowed pursuant to this section.

46 c. If more than one taxpayer, other than husband and wife,  
47 qualify to deduct rent constituting property taxes by reason of their  
48 having occupied the same rented homestead, it shall be presumed

1 that the deduction shall be equally divided. A taxpayer may,  
2 however, deduct an amount for rent constituting property taxes in  
3 the same proportion that the rent paid by that taxpayer bears to the  
4 total rent paid by all tenants of the same unit.

5 d. Notwithstanding the provisions of subsection a. of this section  
6 to the contrary: (1) a resident taxpayer whose homestead is a unit of  
7 residential rental property shall be allowed a deduction for the  
8 taxpayer's taxable year beginning during 1996 based on 50% of the  
9 rent constituting property taxes not in excess of \$5,000 paid for the  
10 occupancy of that homestead; and (2) a resident taxpayer whose  
11 homestead is a unit of residential rental property shall be allowed a  
12 deduction for the taxpayer's taxable year beginning during 1997  
13 based on 75% of the rent constituting property taxes not in excess  
14 of \$7,500 paid for the occupancy of that homestead.  
15 (cf: P.L.1996, c.60, s.4)

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17 3. Section 5 of P.L.1996, c.60 (C.54A:3A-19) is amended to  
18 read as follows:

19 5. a. If a taxpayer who is eligible for a deduction for property  
20 taxes under section 3 of this act for a part of the taxable year is also  
21 eligible for a deduction for rent constituting property taxes under  
22 section 4 of this act for a part of the taxable year, the taxpayer shall  
23 be allowed a deduction, **[not in excess of \$10,000,]** subject to the  
24 limitations of subsection b. of this section, the amount of which  
25 shall be equal to the sum of the amount of property taxes due and  
26 paid for the calendar year in which the property taxes are due and  
27 payable on a homestead that is not a unit of residential rental  
28 property and the amount of rent constituting property taxes due and  
29 paid for the calendar year in which the rent constituting property  
30 taxes is due and payable for the occupancy of a homestead that is a  
31 unit of residential rental property, provided however, that the  
32 amount of property taxes shall be subject to the limitations set forth  
33 in subsections b. through e. of section 3 and the amount of rent  
34 constituting property taxes shall be subject to the limitations set  
35 forth in subsections b. and c. of section 4 as may be applicable.

36 b. Notwithstanding the provisions of subsection a. of this section  
37 to the contrary: (1) a taxpayer who is eligible for a deduction for  
38 property taxes under section 3 of this act for a part of the taxable  
39 year and is also eligible for a deduction for rent constituting  
40 property taxes under section 4 of this act for a part of the taxable  
41 year, shall be allowed a deduction for the taxpayer's taxable year  
42 beginning during 1996 based on 50% of an amount not in excess of  
43 \$5,000, the amount of which shall be equal to the sum of the  
44 amount of property taxes paid on a homestead that is not a unit of  
45 residential rental property and the amount of rent constituting  
46 property taxes paid for the occupancy of a homestead that is a unit  
47 of residential rental property; and (2) a taxpayer who is eligible for  
48 a deduction for property taxes under section 3 of this act for a part

1 of the taxable year and is also eligible for a deduction for rent  
2 constituting property taxes under section 4 of this act for a part of  
3 the taxable year, shall be allowed a deduction for the taxpayer's  
4 taxable year beginning during 1997 based on 75% of an amount not  
5 in excess of \$7,500, the amount of which shall be equal to the sum  
6 of the amount of property taxes paid on a homestead that is not a  
7 unit of residential rental property and the amount of rent  
8 constituting property taxes paid for the occupancy of a homestead  
9 that is a unit of residential rental property.  
10 (cf: P.L.1996, c.60, s.5)

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12 4. This act shall take effect immediately and apply to taxable  
13 years beginning on or after January 1, 2018.

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#### STATEMENT

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18 This bill permits taxpayers to deduct the total amount of State  
19 property taxes, due and paid in a calendar year on the taxpayer's  
20 principal residence, from the taxpayer's gross income tax  
21 obligation.

22 Under current law, a taxpayer may deduct up to \$10,000 of  
23 property taxes due and paid in the calendar year on the taxpayer's  
24 primary residence from the taxpayer's gross income tax obligation.  
25 If the taxpayer is a renter, the taxpayer may deduct up to \$10,000 of  
26 the amount of "rent constituting property tax," which is defined in  
27 P.L.1996, c.60, s.2 (C.54A:3A-16) to mean 18 percent of rent, due  
28 and paid in the calendar year from the taxpayer's gross income tax  
29 obligation. This bill eliminates these \$10,000 maximum allowable  
30 deductions, thereby permitting a taxpayer to deduct the full amount  
31 of property taxes, or rent constituting property taxes, due and paid  
32 by the taxpayer in the calendar year on the taxpayer's primary  
33 residence.